RICHARD RUSSELL'S **DOW THEORY LETTERS, INC.**
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August 10, 1977 **LETTER 705** July 29, DJIA 890.07; PTI 884; A-D Ratio –18.65
Aug. 5, DJIA 888.69; PTI 883; A-D Ratio –18.69

WEAKNESS: We are now in our eighth month of 1977. So far, the best rally of 1977 has been the pitiful 36.48 point rise of February 11 (931.52) to March 16 (968.00). The odds on any six month's period going by without producing at least a 40 point rally in the Dow are very slim. The odds on a whole year going by without producing at least a 40 point rally in the Dow are even slimmer. In fact, you have to **go back 24 years** (!) to 1953 to find a full year which failed to produce so much as a 40 point Dow rally.

So what is this year's dismal Dow performance telling us? It is telling us that the Dow is discounting something that it most certainly ***doesn't like***. That "something" (whether it is political, social or economic) is so strong that it is now dragging the whole market down with it. Second, this year's performance, so far, tells us that the odds are moving in favor of at least a 40 point rally somewhere ahead. My own guess is that such a rally will come (if it does materialize at all) from *lower levels*, and from an "over-sold" area in the market.

I am including on page 2 my chart of the 30-week moving average of the Advance-Decline Ratio. This chart is based on the weekly A-D figures as published in *Barron's*. Each week the Advance-Decline differential is computed, and those weekly differentials are then smoothed out as a 30-week moving average.

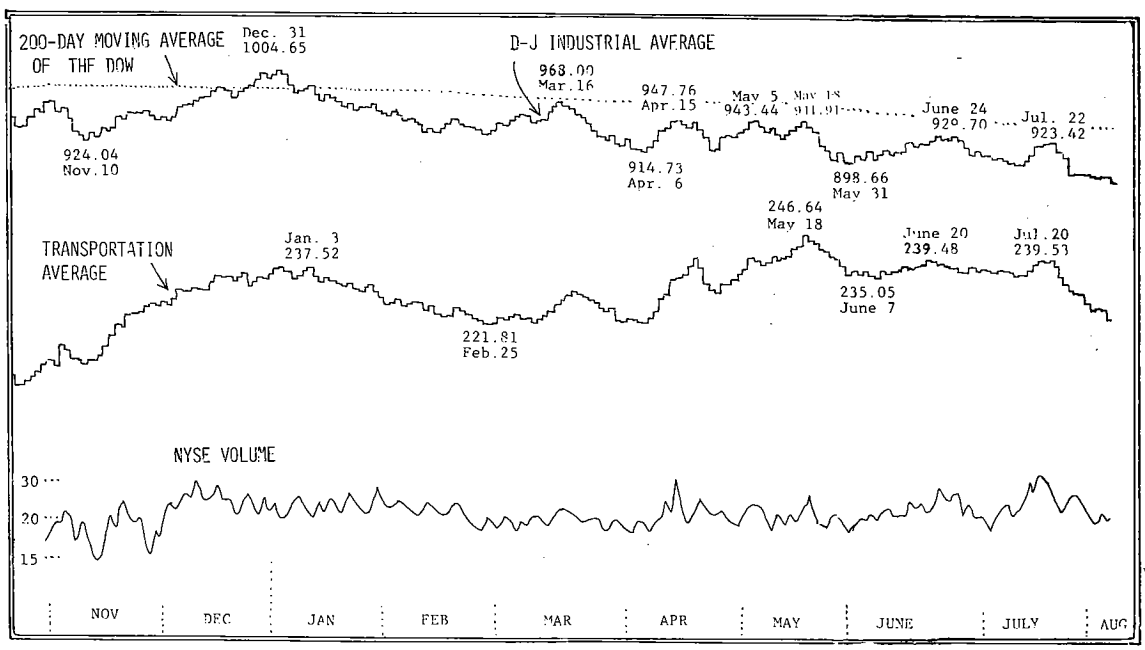
Note that the third trendline for the moving average has now been broken. Note also that the moving average is just above zero (the critical fulcrum level). What this is telling us is that the breadth (the "secondary issues") are now **ready to join the Dow** on the downside. As a matter of fact, many of the Dow stocks have already probably taken most of their beatings, and the much touted "secondary issues" are now getting ready to go down.

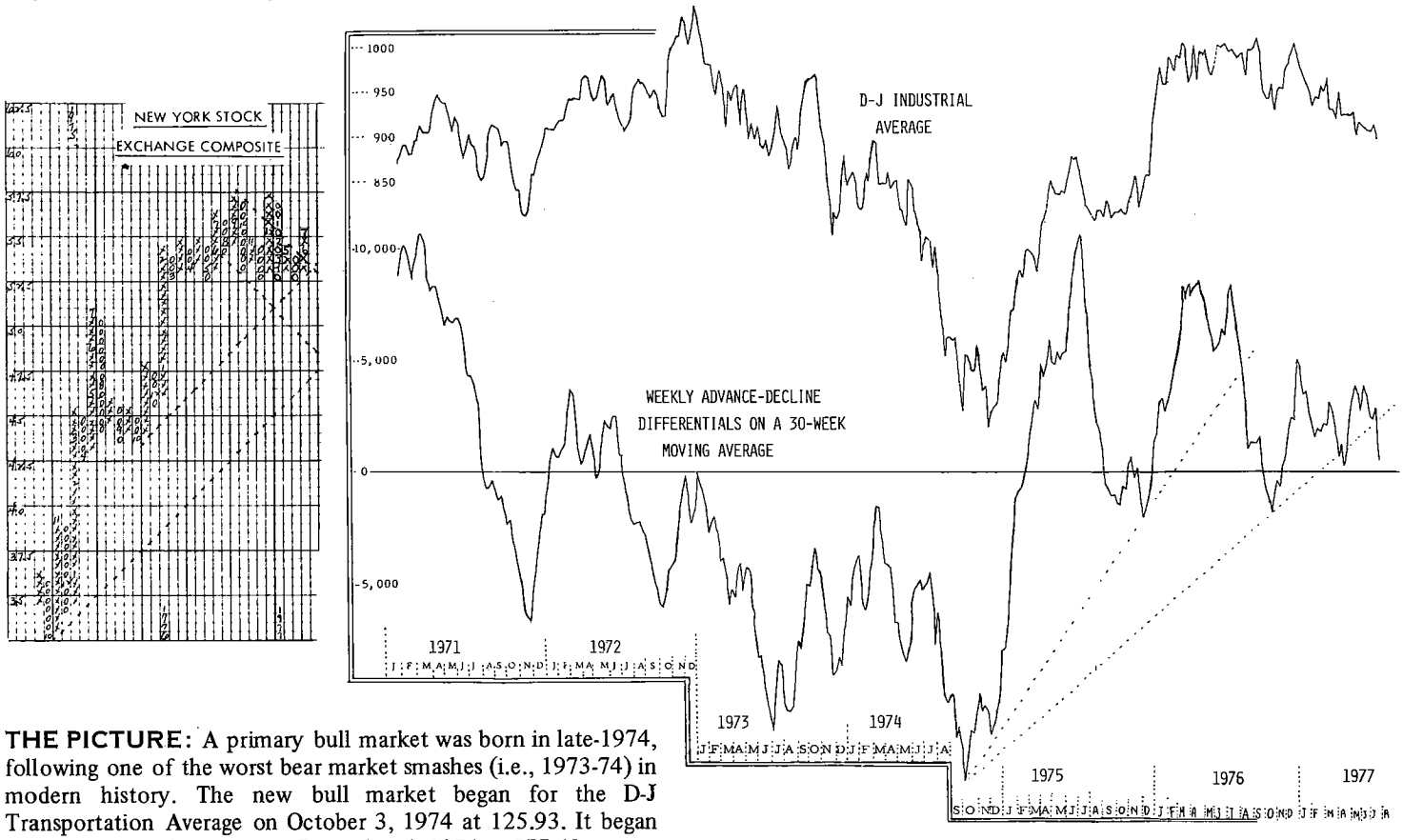
Actually, this should come as no surprise to readers of these Letters. I have said that it is wishful thinking to believe that the powerful, well-run Dow corporations could fall apart during a correction and the secondary issues could come through unscathed. Whatever forces are bearish enough to knock the Dow to its knees are certainly powerful enough to take the great majority of stocks to lower levels. And that's about where I think we are now.

To put it another way, so far we have heard boasts that "Kodak is down and DuPont is down, but my portfolio has been acting beautifully." The market is a great believer in democracy. I believe it is about to demonstrate that an important decline ultimately takes ALL the stocks with it.

Conclusion: Subscribers (if they follow my advice at all) should be out of stocks and in bonds, money instruments, and perhaps 10% gold (in the form of Krugerrands). We are waiting for a buy spot that should materialize somewhere ahead (I keep talking about the month of October). I have received many Letters over the past few weeks, most to the effect that "Happiness is being in cash when the stock market is heading down."

How bad could this decline be? My only answer is "rough enough so that I have wanted all my dear readers out of it!" I include (as reference material) a point & figure chart of the NYSE Composite Index (courtesy of Chartcraft, Larchmont, NY 10538). The chart shows a perfectly enormous top on the Index with a quadruple bottom at the 53.00 level. Any closing by the NYSE Composite Index at 52.5 or lower will smash the formation, probably setting off broad, bearish forces. If 52.5 is touched by the Index, I think we should see a general "washout" for the market, one that I don't want any of my subscribers to ride through.





THE PICTURE: A primary bull market was born in late-1974, following one of the worst bear market smashes (i.e., 1973-74) in modern history. The new bull market began for the D-J Transportation Average on October 3, 1974 at 125.93. It began for the Industrial Average on December 6, 1974 at 577.60.

The generally advancing action continued into 1976-77 Industrials recorded their highest bull market point on September 21, 1976 at 1014.79. Transports continued to a May 18, 1977 high of 246.64. Thus, the Industrial bull market advance lasted exactly 21 months while the Transport advance carried for 29 months.

The action following the September, 1976 peak in Industrials represents one of the longest and most persistent periods of *divergence* in the history of the stock market. For eight months the two Averages have followed *opposite paths*, Transports working steadily higher while the Industrials slid lower. During all this period I warned that divergence was usually indicative of a troubled market and that such action usually implies *distribution* of stocks. I also said that all periods of divergence eventually end, and they always end with the two Averages getting back "in gear." All too often, the "togetherness" is on the downside.

As stated before, the D-J Industrial Average rose for 21 months from its December, 1974 low to its September, 1976 high. As of this writing, the Dow has been in a **declining trend for 10 months.** This is an extraordinarily long time for this bellwether Average to decline within a bull market. It is true, of course, that throughout the period of Industrial decline the Advance-Decline Ratio was advancing, and based on my studies of past history, I must rate this as a plus for the long-term technical picture. I say it is a plus because this kind of action (i.e., a declining Dow and a rising A-D ratio) has never given way to a major bear market.

The three major instances of postive breadth and a negative Dow occurred in 1934, 1940-41, and 1947. The 1934 example was followed by weakness into early-1935, then a major market rise. The 1940-41 situation was followed by a slide into 1942, at which time a new primary bull market was born. The 1947 instance was followed by a four-month reaction into February, 1948, a three-month rally, and then a dragged-out slide to June 1949. From the June lows a great bull market was born.

Question: What do you think is going to happen when this extended period of price-breadth (i.e., the Dow and the A-D Ratio) divergence ends?
Answer: Well, actually I believe it's ending now, and the resolution is to the downside (as it usually is). I would guess that we could now witness a few weeks to a few months of difficult, generally lower markets–weak rallies and powerful declines. I also expect the situation to change in that the majority of issues (as measured by the A-D Ratio) will tend to act *worse than the Dow*. I have been expecting a correction on the order of July to October, 1957–with the bad news coming out near the reaction's end.

But on the long-term basis, I feel that the next major low points for the market will probably represent an **important base.** From that base the market could mount an advance of surprisingly large proportions. The advance could well represent the third or the speculative phase of the bull market that began in 1974.

But I want to get back to the original discussion. There is a general impression among amateur analysts and the public that Dow's Theory is concerned solely with some sort of mechanical reading of the Averages with occasional pronouncements of "bull" and "bear" markets. Nothing could be further from the truth. Dow's Theory includes a study of the price movement, the concept of yield and values, it includes an appraisal of sentiment, both public and professional. And last but certainly not least the Theory concerns itself with identification of the **phases.**

For the benefit of new subscribers I will repeat that primary bull markets come in *three* recognizable phases. The phases are based on **psychology, not price movement.** The first phase of a bull market represents the automatic rebound from the depressed levels of the bear market lows–back to an area in which stocks again sell at known values. As for the current bull market, the first phase began in late-1974 and ended in mid-1975.

The first phase of this bull market ended with the correction of July-September, 1975. From September, 1975 the second phase began. The second phase of a bull market is the one in which stocks rise as they reflect generally improving conditions for corporate profits. The public is absent from the first phase of a bull market, and they generally remain skeptical during the second phase. Certainly this second phase has not been blessed with any large amount of participation on the part of the public.

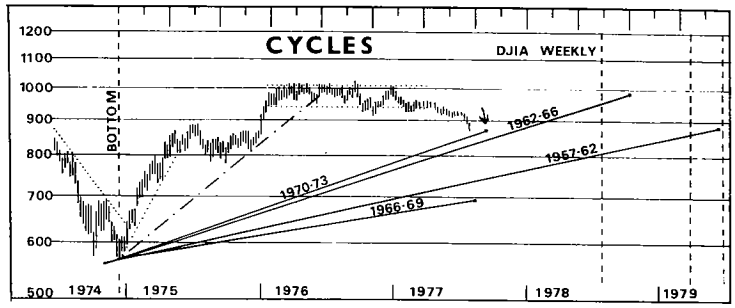
The second phase of a bull market is characterized by divergent movements, deceptiveness and generally confusing action. Traditionally, the second phase ends with an "unexpectedly" severe reaction, one that may well set off cries of "bear market!" I have been saying ever since late-1975 that this bull market is in its second phase. More recently I have suggested that the second phase is coming to an end. So I am guessing that what we are seeing today is part of the second phase finale, the reaction that turns everyone bearish.

The third or final phase of a primary bull market is the one which sees the wholesale entrance of the public. In this phase stocks take on a look of "froth and frenzy," yields on stocks become miniscule, volume swells to impressive proportions, rumors and excitement reign, and board rooms hang up the "standing room only" signs.

Question: We've seen a big rise in many stocks already, especially the secondary issues. The unweighted averages such as Value Line's Composite, have more than doubled since 1974. Haven't we already seen the third phase?
Answer: In my opinion, **we have not.** This has been a generally conservative, yield-oriented, book value-oriented market since 1974. Odd lotters have continued to sell, funds have continued to experience heavy redemptions. The public has hardly been entranced by Wall Street during 1974-1977. When the third phase finally does arrive, the public WILL be entranced. The board rooms will fill up. There will be excitement. That just has not happened–yet.

But to get back to the present, I wrote in early 1976 that the Dow had "gone too far too fast." I published many reports comparing the angle of ascent (of the Dow) to the rising slopes of previous bull markets. There is no way, I concluded, that the Dow can continue its present pace. It must and will work sideways or down. It must reduce its unsustainable angle of ascent.

This is exactly the process which has been in effect ever since early 1976. I am including this Dow chart (which I have updated) and the chart is through courtesy of my good friend Ian McAvity with that horrendous address of PO Box 182, Adelaide Street Station, Toronto, Ontario, Canada M5C, 2J1 (Ian, you've got to move). This chart compares the current bull market rise to four previous Dow rises. As of the July lows (888.43), it is clear that the Dow has finally moved sideways and down to an area where it is (on a rising trendline basis) in line with the two previous steepest advances, those of 1962-66 and 1970-73.



All of which is heartening. But we still have to deal with the problem of an end to the decline which began 10 months ago (Sept. 21, 1976) for the Dow. This is the same decline, by the way, which began 10 months ago for the Standard & Poor's 500, 7 months ago (Dec. 31) for the NYSE Composite Index and the D-J 65 Average, and 2 months ago (May 18 peak) for the D-J Transportation Average.

I have been talking about "over-sold" market bottoms, or low points at which the market discounts the worst that can be seen ahead. These over-sold areas are the ones that informed investors and smart traders like to buy into. They represent a market **level at which the informed money feels "safe."**

We have **not** had such an over-sold market situation since last September. When a market stalls out and repeatedly fails to make real progress (as this one has), the odds are high that the big money (the same big money which has refused to buy) will continue to shy away from the market until prices retreat to an over-sold area.

Astute Wall Street money loves to buy into those quite areas which follow panic declines. Often such areas are characterized by double bottoms. At other times we may see a few dull days during which the Averages back and fill near the panic lows. But every Wall Street veteran knows what an over-sold market looks like and what it feels like. They saw one at the 1953 lows, they saw another at the 1957 lows and they saw a classic at the 1962 lows.

My guess is that we will see another over-sold market bottom in 1977. It could come in a week, a month or a few months. It would not surprise me if the 1977 bottom came around October (based on my Fibonacci numbers studies–see the last Letter), but perhaps I am trying to be "too cute" with that one.

A number of factors make me think that this market will go lower and that it will result in a classic over-sold situation.
(1) The Averages, Industrials and Transports, broke through their preceding lows of 898.66 and 235.05 **simultaneously** or on the same day. Volume expanded to 26 million shares on July 28, the day of the break. I noted in the last mailing that the *most authoritative* predictions (under Dow Theory) are given when both Averages penetrate preceding points on the same day. This is what occurred on July 27, and I therefore conclude that the market's prediction is for lower prices.

(2) The broad consensus is that "stocks are dirt cheap" today. A contrary opinion is that stocks may be cheap but they are going to get cheaper. The mass of stocks, as measured by the A-D ratio, could easily correct. They may not correct as much as the Dow already has, but they could certainly come down. Such action would bring fear into Wall Street and provide the psychology for an important bottom.

(3) The current NYSE margin debt adds up to $9.2 billion, highest level in history. I have felt that this huge margin total would be like a "sitting duck," and that the market (in its perverse way) might touch it off. If so, forced or panic selling could result, and this would serve to bring on an over-sold bottom

1977, U.S. News & World Report, Inc.

DOES FUTURE LOOK BRIGHT FOR BUSINESS? "IT DOES INDEED"

Interview With Juanita M. Kreps, Secretary of Commerce

Good times at least through 1978: That's the prospect now, barring a foreign crisis or sharp escalation in energy costs, says Secretary Kreps, who came to the magazine's conference room for this interview

off. The Administration will be alert to whether add stimulus is needed, but I don't know that anybody expe be necessary. If there were substantial slackening in then we would have to consider a whole range of opt

Q. You seem to be indicati

BusinessWeek August 1, 1977

THE ECONOMY

There's no slowdown in sight

The torrid 7% growth rate of the first half may be nearly matched

(4) I include two pages from last week's widely read *Business Week* and *US News and World Report*. I think these pages represent prevailing sentiment. But the market obviously has doubts about business this Fall and Winter. If business turns recessionary, stockholders might throw in their stocks. Such action would also serve to produce a major bottom.

Question: Russell, why do you think we have been seeing a bull market correction instead of the beginning of a primary bear market?
Answer: Because bear markets don't begin until a bull market has gone through its three phases. As I see it and as I outlined in this Letter, **we have not yet seen a third phase in this bull market.** Therefore, I would distrust any mechanical "bear signal" in the Averages. In my judgment, all the downside action of 1977 so far, and any downside action we are likely to see during the rest of 1977, is part of a secondary correction in an ongoing primary bull market.

And of course, there is a fundamental difference between a bull market correction and a primary bear market decline. A bull market correction represents a prediction of a temporary business recession or a series of problems in the outlook for corporate profits. It is a *pause* in a long-term bullish situation. On the other hand, a primary bear market decline represents the market's discounting of a long-term bearish set of factors, a fundamental deterioration of the climate for corporations and corporate profits.

Question: Beautiful, Russell, so we're in a bull market correction, not a primary bear market. What do we do with that information?
Answer: Well, as I stated in the last Letter, I hope you got out of the market. From a *tactical* standpoint you can lose your money just as surely in a bull market reaction as you can in a bear market decline. But a bull market correction low offers a chance to buy, whereas the end of a bear market decline offers an "enticing spot" which will most certainly produce losses if you are stupid enough to buy into it. In other words, we stay out of primary bear markets until they are over. We buy at the bottom of bull market reactions.

Question: Where do you think the Dow could go on the downside if this correction is to continue?
Answer: The Dow has already been correcting–we've had ten long months of it. I said in the last Letter that I think the Dow could perform relatively **better** than the rest of the market on the downside. Or to put it another way, the cheap stocks could get cheaper while the Dow tends to resist on the downside. Actually, I have no downside "target" for the Dow. I prefer to attempt to try to **identify** a final low–rather than "predict" at what level it will come.

THOUGHTS: The Wall Street pendulum is moving increasingly towards "income now." In 1958 the *yield* on common stocks actually dropped below the yield on bonds. People were shocked. The market was saying that the nation was facing a long period of growth and inflation. In the face of this situation, investors opted for stocks over bonds, regardless of current yields.

Examine the situation today. Bonds provide current yields of 7.8 to 10%. Stocks provide yields of generally 3 to 6%. But investors are questioning the thesis of growth and they are also questioning the thesis of inflation. A new word, "stagflation" was coined a few years ago. Many now wonder if we may not be moving into an era of "staggering deflation."

Now a new problem has emerged. President Carter wants to do away completely with the capital gains tax. This means (if Carter's bill passes) that all potential appreciation in a stock would be fully taxable just like any other income. Carter also wants to drop the tax for high-income individuals from 70% to 50%. These twin features would put the emphasis on INCOME rather than appreciation.

A big-income investor now has a top tax rate of 50% on **earned** income. In other words, he is *used to paying no more than 50%* in taxes regardless of how much his **earned** income runs. If the capital gains advantage is erased and the high-income investor's **earned** and **unearned** income is taxable at no more than 50%, he would be crazy not to opt for income and safety rather than possible appreciation.

What this all means is that the advantages of bonds are increasing while the advantages of common stocks are decreasing. Personally I would not be surprised to see bond yields drop below stock yields within the next five years! Those who have been saying that "stocks are cheap" have not understood what the great unconscious of the marketplace has been saying. Put it this way. The Dow is now down 12% from its bull market high while Fidelity Municipal Bond Fund hit a new high last week. I think that may be telling us something.

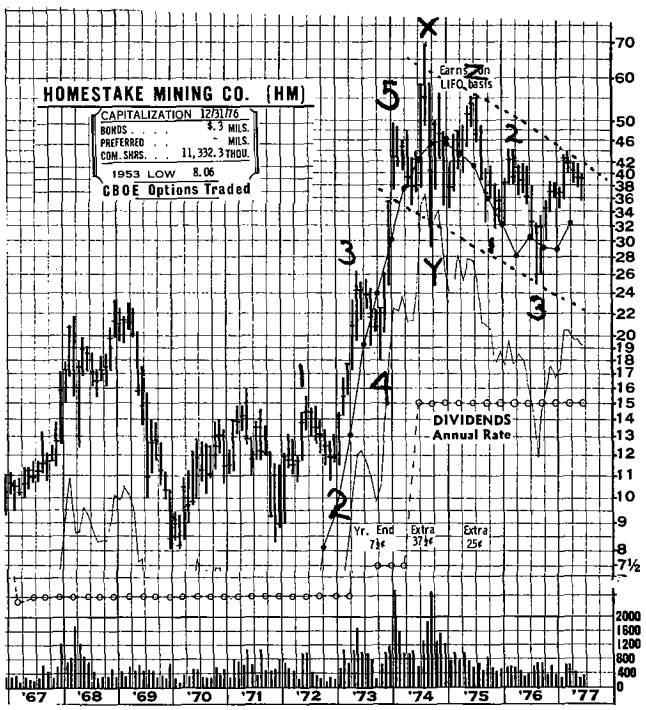
GOLD: Everyone is wondering why gold isn't sailing off into the blue. After all, the dollar has been abysmally weak, devaluations are taking place almost weekly, and the gold-followers are predicting "new highs" for bullion in 1977. Personally, and I've said this for many months, I don't think gold is ready to "go."

This is the way I see it. During 1970-74 bullion broke lose of its chains. Government controls and manipulations fell away. In that period those of us who held gold and gold shares saw our investments soar as gold made up for four decades of inflation. The price of bullion advanced from $35 to $200. At 200 the gold bull market ended. Gold then dropped to 103 in August, 1976, rose to 153 in early 1977, and since then it has fluctuated in the 135-150 area.

The situation is now very interesting. Let's say you're a wealthy Arab or a pension manager with continuous large chunks of

money to invest or a subscriber to Dow Theory Letters. You think to yourself, "Well, inflation seems to be ebbing. The dollar is weak, but Russell tells me that from here on it's a matter of trying to hang on to my purchasing power. The big, 'make a killing' days of the 1960's are over. In the current 'mountainous-debt days' of the 1970's, if I make it in one area I'll probably give it back in another. So what I'm trying to do is produce enough in certain areas so that I can make up for losses (both in values and in the sinking value of my money) in other areas."

"If I buy bullion here, I'll be forfitting 8.5% interest annually. Over five years that's 42% lost, which is a lot of money to lose if gold doesn't rise. I don't see any dire emergency now, and as a matter of fact I think there could be an economic recession and perhaps more deflation. So I think I'll just sit tight."



All right, now let's turn to the monthly chart of *Homestake* (chart courtesy of Security Research, 208 Newbury St., Boston, Mass 02116). I have marked the 1972-74 bull market in Homestake with a 1,2,3,4,5 and that action completed a perfect 5-wave bull market under the Elliott Wave Principle. An extraordinary upside "blow-off" occurred in late-1974, a blow-off caused by white-hot speculative frenzy in gold shares. I marked the blow-off peak with an X on the chart. I consider the rise to X a "false rally."

The aftermath of this frenzy to point X was the abnormal panic crash to point Y. During this crash HM lost over half its market value! The stock then moved back to the 55 area (Z), and at this point, with *volume dropping drastically*, it was clear to me that the bull market was over for the golds. I was recommending (in early 1975) that subscribers move completely out of gold and gold shares. The upside momentum had clearly been shattered.

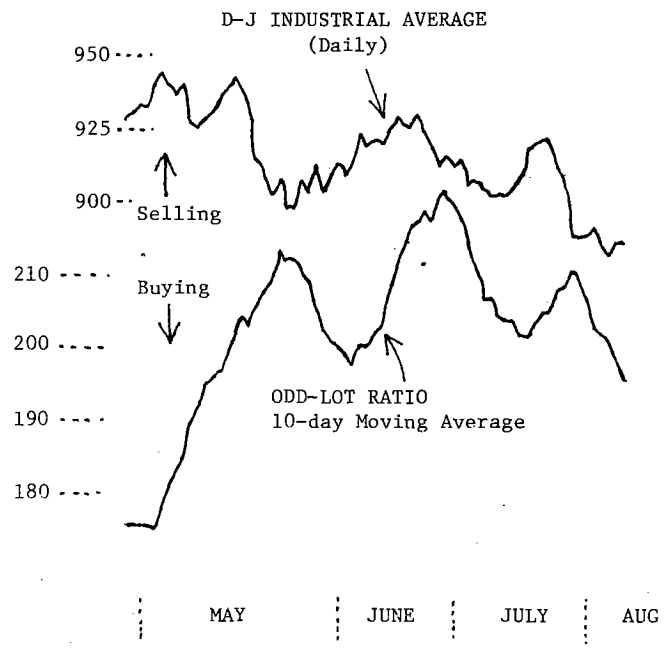
From point Z a classic 1,2,3 Elliott bear market occurred. At point 3, just above a price of 25, the bear market ended for HM. I have drawn the bear market in the form of a giant descending channel. The question now is–what next for HM?

My own opinion is that more consolidation and sideways action will be needed before this stock (along with other golds) is ready to move out. It could be that another year of basing action will be needed. Ideal purchases of HM could be made in the 32-36 area, assuming it drops back to that level. At any rate, I don't see that there is any hurry to take on commitments in HM or the gold shares now.

Ah, the day after I wrote this I received Harry Browne's "Special Report" (Box 5586, Austin, Texas 78763). Harry was one of the people who really brought the whole gold-silver-inflation concept to the public. In April, 1970, his best selling book, '***How You Can Profit from the Coming Devaluation***" was published. In January, 1974 his "***How You Can Profit from a Monetary Crisis***" was published. These two books hit the mark and they educated (and prepared) the public.

Harry Browne is a cool, highly intelligent, far-seeing fellow, and I personally have a lot of respect for his gray matter. It was therefore of great interest to me to read in his July 27 report: *"In my opinion, this is probably the most important issue we've published so far. As discussed in the first article, 'Time to Change Strategy,' I believe we've reached the point where we must lessen our dependence on gold, silver and the Swiss Franc.... While these investments will continue to appreciate over the next few years, their most dramatic increases have probably been completed."* Later Harry explains that he believes gold, silver and the Swiss franc have reached their "equilibrium" prices, and except for potential short rallies in these items, he thinks the big profits are over. Now coming from Harry Browne, I think that is significant–and important.

ODD LOTS: There are **two groups** of odd lot operators, the odd lot buyer (or seller) and the odd lot short seller. Most people do not understand that these are two totally *different* classes of market people. The odd lot buyer is often a serious purchaser of stocks. The odd lot short seller is a real speculator, and he is a notoriously bad speculator. He tends to do everything wrong.



Of late there has been a lot of talk about the new put options taking the place of the odd lot shorter. But on July 28 we had 4,867 odd lot shorts, and this convinced me that the odd lot short is *still operative*. What's more, he just isn't shorting this

market. And that's bearish. Lately we have seen a string of very, very tiny odd lot shorting totals (daily). What this tells me is that this (usually wrong) group just doesn't think this market can go down.

The odd lot buyer is a horse of a very different color. He tends to be wrong only at crucial turns. But eventually he gets with the trend. Not many analysts track the path of the odd lot buyer, but "Jeff" Drew (who invented the odd lot studies) got me in the habit of watching the odd lotters and I've never lost it. I track the odd lotters by dividing the daily sales by purchases, and smoothing out the statistics on a 10 day moving average. Remember, it's not the level of odd lot shorts that is important, it's the direction (i.e., towards buying or selling).

I include this chart because it seems to be telling us something important. A most unusual head-and-shoulder pattern has appeared in the odd lot buy to sell index. Normally, the odd lot public tends to move towards buying (or less selling) in a declining market, the rationale being the "lower prices have to be bargain prices." This kind of thinking can be costly when a major and extended decline gets underway. Therefore, the technical situation in the market remains weak as long as the odd lot index moves down (towards buying) while the market is also moving down. When you see it that means that the public is grabbing at those "lovely lower prices."

The current big head-and-shoulders pattern in the odd lot index suggests that the odd lot ratio could fall well into the "towards-buying" area. If this occurs, and it seems to be, then the situation will remain negative.

As a rule, the odd lot ratio turns up (towards selling) at or near the bottom of a decline. We see an example of this in mid-May. But now the Dow and the odd lot index are dropping together. This does not suggest even a temporary bottom or over-sold area.

LATE NOTES: The January peak for the Advance-Decline Ratio was minus 19.63. The A-D Ratio is below that now, which means that the stock market on average has made almost no progress during 1977. This kind of action, in my book, usually calls for a good reaction and a "clearing of the air."

The 50 week moving average of the Dow now stands at 945 while the 13 week MA has dropped to 912. Thus the bearish spread has expanded to 33 points, widest spread since the 13 week MA gave its bearish signal by dropping below the 50-week MA. This action tells us that selling pressure is increasing, and it tells us that a big buy spot lies ahead somewhere, and it tells us that there is no hurry to buy 'em now.

The 221.81 (February 25) point for the Transports is a significant one, but at this time I feel that the most important downside resistance point is 53 on the NYSE Composite. If 53 is violated and the Composite comes down and touches 52.5, that would be quite bearish (as per the page 2 chart).

(From Eliot Janeway's latest report in today): "The dog days of August are here, and Congress is racing home to take sounding with the folks. The word is seeping back to members of both parties that the economy is hitting the skids–no longer just in the Grain Belt."

WHERE: What do we do with our assets while playing it safe and waiting for this market to produce a good over-sold buy spot? Well, the banks are paying 5% and their C/D's will pay slightly more. The liquid asset funds are a good place to put cash, and many have been able to average better than 5% on their payout. A number of the leading no-load fund groups now offer switch privileges, and this can be a most important advantage. These funds allow one to switch from one of their family of funds to another at no charge (or very little charge).

Listed below are a few fund families, each having a number of funds such as a bond fund, a stock fund, a liquid asset fund, a growth fund. The toll-free numbers are shown in parentheses, and you should call asking for literature on available funds and switching privileges. In addition, arrangements can be made with most of the funds for telephone buy-sell-switch orders. This whole concept is one that has not been appreciated by the public. But you definitely owe it to yourself to look into this very convenient way of putting your money where you want it when you want it.

American General Group–10 different funds; call collect (713) 526-8419
Dreyfus Group–7 funds; (800) 223-5525
Fidelity Group–10 funds; (800) 225-6190
Oppenheimer Group–6 funds; (800) 221-5348
T.Rowe Price Group–6 funds; (800) 638-1527
Vanguard Group–9 funds; (800) 523-7910

At this time, I suggest (as I have for months) that the bulk of your assets be in liquid assets funds, municipal bond funds, or in taxable bond funds. It is then an easy matter to switch a certain portion of one's money-oriented funds to stock funds at the advantageous time.

The question arises, why not put one's money in specific bonds? My answer to that is "Who needs it?" Why be bothered with buying individual bonds, when one can have (1) no load switching privileges, (2) no worry about credit, (3) diversification, (4) no maturity to worry about. To my mind, these advantages outweigh the advantage of slightly higher yield which is probably obtainable from individual bonds.

I do want to list one exception to this whole concept. That is the wisdom of Government bonds. I personally believe that every pension plan (or any compounding situation free of current taxes) should have as its base longer-term high yielding Government bonds. For safety of principle and liquidity, they cannot be surpassed.

DIS–EASE: The basis of disease may be just that, psychic dis-ease. At any rate, I received an extraordinary amount of letters regarding the piece on cancer in the last report. Many doctors wrote and most agreed. At any rate, I believe that we have conquered most of the bacterial diseases and many of the viral diseases. What is really left are the "man-made" diseases such as heart attack, stroke, and I think arthritis and cancer. The culprits here are probably our own stress, guilt, fear, frustration. Maybe this is God's way of telling man that he is his own worst enemy. The black death, small pox, diptheria, cholera, none of them could destroy man. But wait–maybe man can destroy himself!

DO IT! I've had a lot of letters from subscribers asking if we will send a copy of these Letters to a friend or an aunt or a son or daughter in college or what have you. The answer is, "Sure, just drop a note and tell us who to send it to, and we'll send the latest report along with a note (if you wish) saying that you suggested it." I'll admit it, our own subscribers have always been our best salesmen. And a goodly percentage of our new subscriptions come from referrals.

WEIRD: We don't seem to know whether we're going forwards or backwards these days. Then why not study palindromes (a palindrome is a word, phrase, or sentence that reads the same forwards or backwards). Here are a few amazing ones from the *Reader's Digest*:(Napoleon's lament) "Able was I ere I saw Elba." For toy poodle lovers "Step on no pets." And here's one for historians, "A man, a plan, a canal, Panama."

NEXT MAILING: August 19th